

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 ABF-01 OMB-01 TRSE-00 L-03
CIAE-00 INR-07 NSAE-00 AF-08 ARA-06 EA-07 NEA-10 SP-02
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C O N F I D E N T I A L USUN 0240

E.O. 11652: GDS
TAGS: UNDP, EAID
SUBJ: UNDP 23RD GOVERNING COUNCIL - DISCUSSIONS WITH
SOVIETS ON NON-CONVERTIBLE CURRENCIES

REF: USUN 238

1. SUMMARY: THE U.S. DELEGATION INFORMALLY TOLD THE SOVIET DELEGATION THAT THE UNITED STATES WOULD BE WILLING TO HOLD ITS NEW INITIATIVE ON NON-CONVERTIBLE CURRENCIES IN ABEYANCE UNTIL JUNE IF REAVL MOVEMENT ON THIS QUESTION BY THE SOVIETS WAS IN THE OFFING. END SUMMARY.

2. THE U.S. DELEGATION (NORRIS) CONTINUED ITS CONSULTATIONS ON THE QUESTION OF NON-CONVERTIBLE CURRENCIES WITH THE SOVIET DELEGATION (LISSOV) JANUARY 27 AND 28. THE JANUARY 27 MEETING CONSISTED PRIMARILY OF A REVIEW OF RESPECTIVE POSITIONS. THE MEETING ENDED WITH U.S. DELEGATION PUTTING THE SOVIETS ON NOTICE THAT BECAUSE NO ACCORD HAD BEEN REACHED TO DATE IN THE BILATERAL DISCUSSIONS, THE SOVIET UNION WOULD HAVE TO FACE WIDE-SPREAD CRITICISM IN THE GOVERNING COUNCIL WHEN THIS ITEM WAS TAKEN UP BECAUSE THERE WAS BROADBASED CONCERN ABOUT THIS ISSUE ON THE PART OF DONOR AND DEVELOPING
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COUNTRIES ALIKE.

3. THE JANUARY 28 MEETING FOLLOWED THE WESTERN COUNTRIES' DRAFTING GROUP SESSION IN WHICH IT BECAME CLEAR TO US THAT THE U.S. DELEGATION WAS NOT GOING TO HAVE ENOUGH SUPPORT FROM "FRIENDLINES" TO MOVE FORWARD IN THIS GOVERNING COUNCIL WITH ITS PROPOSAL CONCERNING A SUBSTITUTION BY LDC'S

OF THEIR CURRENCIES FOR ATTRIBUTED RUBLES IN THEIR IPF'S (SEE REFTEL). THE U.S. DEL OPENED BY LAYING OUT IN DETAIL THE AWKWARD AND EMBARRASSING SITUATION THE SOVIETS HAD GOTTEN THEMSELVES INTO IN UNDP, ALL FOR THE SALE OF CONTRIBUTIONS WHICH IN ABSOLUTE TERMS WERE MINISCULE FOR A MAJOR COUNTRY SUCH AS THE SOVIET UNION. MEMBER COUNTRIES WERE INCREASINGLY IRRITATED BY SOVIET INSISTANCE ON NON-CONVERTIBILITY, PARTICULARLY WHEN MEMBERS LEARD OF UNDP BEING FORCED BY AEROFLOT TO PAY IN HARD CURRENCY FOR OFFICIAL TRAVEL TO MOSCOW AND OF SOVIET TRADING COMPANIES DEMANDING HARD CURRENCY FROM UNDP AS THE PRICE FOR REASONABLE DELIVERY TERMS FOR SOVIET GOODS. DURING OUR DISCUSSIONS, THE SOVIETS HAD REPEATEDLY STATED THAT THEY WERE DEVELOPING PLANS FOR PROJECTS, ETC. WHICH WOULD DECISIVELY DEAL WITH THIS PROBLEM AND ELIMINATE A LARGE PART OF THE ACCUMULATION OF RUBLES. IF THE SOVIETS WOULD GIVE US ASSURANCES THAT THEY WOULD REALLY MOVE ON THIS MATTER DURING THE NEXT 6 MONTHS -- IN A WAY WHICH WOULD SIGNIFICANTLY REDUCE UNDP'S CURRENT HOLDINGS OF RUBLES WITHOUT SEEKING PREFERENTIAL TREATMENT -- THEN WE WOULD BE WILLING TO CONSIDER HOLDING OUR PROPOSAL FOR LDC CURRENCY SUBSTITUTIONS IN ABEYANCE UNTIL THE JUNE 77 SESSION OF THE GOVERNING COUNCIL.

4. LISOV RESPONDED THAT THE RECENT DISCUSSION BETWEEN V. MOROZOV, (FIRST DEPUTY CHAIRMAN, STATE COMMITTEE OF THE USSR COUNCIL OF MINISTERS FOR EXTERNAL ECONOMIC RELATIONS) AND THE ADMINISTRATOR CONSTITUTED JUST SUCH CONFIDENTIAL

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ASSURANCES. LISOV SAID THAT A COMPLETELY NEW AND HARMONIOUS RELATIONSHIP HAD BEEN ESTABLISHED BETWEEN THE UNDP AND THE SOVIET UNION. MOROZOV HAD ASSURED MORSE THE USSR WOULD RESPOND TO ANY REASONABLE SUGGESTION BY UNDP FOR UTILIZATION OF THE RUBLE HOLDING. LISOV THEN REVIEWED VARIOUS OTHER DEVELOPMENTS WHICH SUPPORT HIS EXPECTATION OF PROGRESS IN THE NEAR TERM ON THIS QUESTION.

5. NORRIS SAID THE SOVIETS SHOULD NOT PUT THE RESPONSIBILITY ON MORSE'S SHOULDERS BUT SHOULD COME UP WITH IMAGINATIVE AND INNOVATIVE INITIATIVES OF THEIR OWN. HE URGED THE SOVIETS FOR EXAMPLE TO SERIOUSLY CONSIDER PERMITTING A MAJOR PORTION OF THE CURRENT UNDP RUBLE ACCUMULATIONS TO BE CONVERTED AS A DRAMATIC GESTURE OF THEIR GOOD FAITH. WORDS WERE NOT ENOUGH. IN THEIR OWN INTEREST, THE SOVIETS SHOULD PUT SOMETHING DEFINITIVE FORWARD TO DEMONSTRATE THEY WERE STARTING TO MOVE IN THE RIGHT DIRECTION ON THIS MATTER. LISOV REACTED

POSITIVELY TO THESE SUGGESTIONS. IN DIRECT RESPONSE TO A QUERY AS TO WHETHER THEY HAD GIVEN THOUGHT TO WORKING JOINTLY WITH OTHER SOCIALIST COUNTRIES IN THIS AREA, INCLUDING AN INTERCHANGE OF UNDP CURRENCY ACCUMULATIONS, LISSOV SAID THEY WERE STUDYING THE QUESTION OF SOME COOPERATION THROUGH COMECON, BUT NOT OF COURSE DIRECT CONVERTIBILITY. HE SAID THEY WERE EVEN CONSIDERING HAVING COMECON ACT AS AN EXECUTING AGENCY IN THIS REGARD.

6. IN CLOSING NORRIS URGED SOVIETS TO GIVE TANGIBLE EVIDENCE IN THIS COUNCIL THAT MOVEMENT WAS TO BE MADE BY THEM ON THIS QUESTION. WHILE THE U.S. MIGHT HOLD ITS NEW INITIATIVE IN ABEYANCE, WE WERE IN AGREEMENT WITH A WESTERN COUNTRIES' DRAFT ON NON-CONVERTIBLE CURRENCIES TO BE CIRCULATED. IT WAS AGREED CONSULTATIONS WOULD RESUME AFTER THE WEEKEND.
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